

Effective Implementation of Shariah Compliance Culture in Islamic Banks

Mohd Supian Mat Nan

Shariah Division, Public Islamic Bank Berhad, Malaysia
International Islamic University Malaysia, Malaysia

Rusni Hassan

International Islamic University Malaysia, Malaysia

Abstract

Shariah governance and Shariah compliance culture are fundamental to the operational integrity and ethical conduct of Islamic banks. While Shariah governance provides oversight mechanisms, Shariah compliance culture integrates Shariah principles and values into the organization's ethos. This study examines past researches on Shariah governance and its effectiveness in fostering the Shariah compliance culture within Islamic banks. The qualitative methodology employed in this paper utilizes content analysis, with data being analysed descriptively. The literature review underscores the importance of Shariah governance, the significance of Shariah compliance culture and the factors influencing it. The findings suggest that Shariah governance has a major influence in nurturing the Shariah compliance culture in Islamic banks, with its effectiveness measurable through six (6) key aspects namely leadership practices, main Shariah organs, policies implementation, regular communication, proper reporting, and education and training program. Further research is needed to assess whether the current Shariah governance structure is adequate in promoting Shariah compliance culture as well as to identify optimal Shariah governance setups that could further enhance Shariah compliance culture and practices.

Keywords: Shariah Governance, Shariah Compliance Culture, Islamic Banks

1. Introduction

Islamic banking has emerged as a novel concept within the long-established and deeply ingrained conventional banking system. It interacts with resource allocation, product and services development, management, acquisition, and investment, similar to conventional banking. As a result, Islamic banks are expected to function similarly to, or at least produce the same economic effects as conventional banks. The conventional banking system, particularly in the context of its ideological construct of capitalism based on an ideology of self-interest, is said to be value-neutral and unconcerned about moral values. This self-interest doctrine is heavily based on the assumption that humans make rational decisions. It is argued that just by satisfying one's own self-interest, overall economic development of society will be achieved.

Islamic banking, on the other hand, is backed by Islam as a *din* (religion) and cannot stray outside of it. Islamic banks are built upon a number of unique characteristics that are based upon Shariah principles (ISRA, 2016). Islamic banks are governed by Shariah law and the interpretation of *fiqh al muamalat* (Islamic commercial law), which consists of business conduct guidelines, and permissible or non-permissible modes of transactions and business forms. Any Islamic products or services offered by Islamic banks must adhere to Shariah in all aspects of its operation, including marketing, accounting, management, and governance (Shafiai and Engku, 2018). The Shariah-compliant feature is unique to Islamic banking. Islamic banks have incorporated various Shariah principles and contracts into their operations because usury (*riba*) is forbidden in any form and for all purposes.

The absence of Shariah principles in the overall business functions of banking indicates that the current corporate governance practice does not meet the demands of the Islamic banks' structure, which contributes to the importance of Shariah governance framework (Alam et al., 2021). Shariah governance is a core component for the effective functioning and stability of an Islamic bank. Its mission is to ensure that all Islamic banks' operations and activities adhere to the doctrines, conditions, and principles promoted by Shariah as well as to serve all stakeholders' interests which include employees, creditors, government, society and others (Alam et al. 2021; Embi and Shafii, 2018). The implementation of strong Shariah governance structure will ensure that the business operation of Islamic bank is fully compliant with Shariah principles and reduce the potential risk of Shariah non-compliance.

In addition to Shariah governance practices, Shariah compliance culture is crucial in ensuring operational integrity and good reputation of Islamic bank. Though it may arguably resemble traditional corporate culture through its emphasis on promoting ethical behavior and values that shape the governance framework of the organization, Shariah compliance culture further enforces Shariah elements by ensuring that these values align with the objectives and principles of Shariah (Kasim, et. al., 2013). A robust Shariah compliance culture can positively influence the implementation and maintenance of Shariah compliance as well as reinforce the Shariah compliance framework of an Islamic institution (Hamza, 2016). While Shariah governance provides the necessary oversight mechanisms and structured governance process,

Shariah compliance culture embeds Shariah principles and values into the organizational culture, ensuring they are embraced by all employees (Kasim et al., 2013).

Thus, this research aims to analyze previous literature related to Shariah governance in Islamic banks and assess its impact on nurturing Shariah compliance culture. It also aims to identify key factors or elements in Shariah governance that can influence Shariah compliance culture in the institution. As a qualitative study, the data were gathered mainly through the published literatures and journal articles, books, reports and other institutional documents from the Islamic bank's websites. The observation and document analysis were applied to identify the key measures toward the implementation of effective Shariah compliance culture.

The selection of literature for inclusion in this research was determined by the following inclusion criteria: previous literature that incorporated keywords associated with Shariah governance, Shariah compliance culture and Islamic banks was considered, with the objective being to ensure that the selected studies emphasise the significance of Shariah governance, the importance of Shariah compliance culture and the factors influencing it.

The exclusion criteria for previous literature were applied, resulting in the exclusion of research papers based on the following criteria:

- i. Research papers published prior to 2005 were excluded from the repository and references of this research paper to ensure the information is still relevant and remains updated; and
- ii. Literature deemed irrelevant based on title, abstract, introduction, findings and conclusion was excluded from the references of the research paper.

2. Literature Review

In determining the impact of Shariah governance in nurturing Shariah compliance culture, as previously mentioned, a number of key factors have been identified from the overall readings of the selected journal articles and research relating to Shariah governance and Shariah compliance culture. The following literature review is divided into three themes related to Shariah governance, the importance of Shariah governance and Shariah compliance culture. The analysis of the literature review reveals that, despite the numerous studies conducted in the domain of Shariah governance and Shariah compliance culture; there is a lack of empirical studies that substantiate their findings and arguments. Furthermore, there is an absence of comprehensive studies that propose the optimal Shariah governance structure that can foster a robust Shariah compliance culture. It is therefore evident that further studies are required to address the existing gaps in the current state of research.

2.1. The concept and Principles of Shariah Governance

Shariah governance plays an important role in maintaining Shariah compliance for Islamic banks by building a framework of responsibility, transparency, and ethical

behaviour. By adhering to strong Shariah governance rules, Islamic banks may efficiently manage risks and ensure that their activities are consistent with Islamic values. A well-governed Islamic bank can develop confidence among its clients, investors, and regulators, resulting in a sustainable and ethical financial system that adheres to Shariah law principles.

A substantial corpus of research has been dedicated to delineating Shariah governance and unpacking its pivotal function within the context of Islamic banking. Shariah governance emerged as an endeavour to augment the prevailing corporate governance framework, with the objective of ensuring that the operations of Islamic banks and financial institutions are in alignment with the Shariah principles that govern transactions (Ginena and Hamid, 2015; Hilmy et. al., 2022). Shariah governance is a foundational element of Islamic banking, playing a pivotal role in fostering adherence to Shariah principles. Shariah governance is defined as the system that directs and controls the operations, business and affairs of Islamic banks to be in full compliance with the Shariah principles governing financial transactions (Ginena and Hamid, 2015; Hilmy et. al., 2022). IFSB Guiding Principles on Shari'ah Governance System defined Shariah governance as: "A set of institutional and organizational arrangements through which Islamic financial institutions ensure that there is an effective independent oversight of Shariah compliance over the issuance of relevant Shariah pronouncements, dissemination of information and an internal Shariah compliance review" (IFSB, 2009, p.2). This underscores the pivotal role of Shariah governance in the oversight and direction of Islamic banking activities.

Shariah governance can be defined as a system of governance adopted by Islamic banking institutions to ensure compliance with Shariah parameters (Hilmy and Hassan, 2019; Nazmi and Hassan, 2024). It encompasses a range of governance processes and procedures that control the operations, business and activities of Islamic banks, and it also delineates the roles and responsibilities of key functions in the governance structure of Islamic banks to facilitate effective organisational arrangement and practice. The overarching objective of implementing Shariah governance is to ensure that the business activities and operations of Islamic banks are in full compliance with Shariah rules and requirements. A robust Shariah governance structure enables Islamic banks to conduct lawful business activities and instil public trust in their integrity and reputation.

A study by Mishref and Sa'ad (2024, pp. 415-416) examined the pivotal role played by Shariah governance in Islamic banking institutions and found that there are seven (7) key principles of Shariah governance that will bring added value to Islamic banks:

1. **Accountability and responsibility:** The board of directors is ultimately accountable for the effective implementation of Shariah governance in Islamic banks.
2. **Independence and objectivity:** The Shariah committee must be independent from the management of the institutions and must act objectively in rendering its Shariah rulings.

3. Competence: The members of the Shariah committee must be competent in Shariah law and finance.
4. Confidentiality and commitment: The members of the Shariah committee must maintain the confidentiality of Shariah-related information and committed to effective implementation of Shariah governance in the institutions.
5. Consistency: The Shariah committee's rulings must be consistent with Shariah principles and the rulings of other recognized Shariah scholars.
6. Shariah audit and review: Islamic banking institutions must conduct regular audits and reviews to ensure that its products, services, and activities continuously comply with Shariah principles.
7. Transparency and disclosure: Islamic banks must disclose their Shariah governance arrangements and compliance performance to designated stakeholders.

In addition, Shariah governance can also be referred as the policies, processes, and mechanisms that have been put in place to ensure Shariah compliance within an institution (Grassa, 2013). By developing a strong Shariah governance framework, it can positively lead to successful formulation and execution of policies, guidelines, and circulars in Islamic banks. Documentation is critical to guaranteeing Shariah compliance and allowing openness, accountability, and consistency in Islamic bank decision-making processes (Hassan, 2014).

2.2. Importance of Shariah Governance

Several studies have highlighted the importance of Shariah governance in Islamic banking, particularly focusing on the key Shariah functions and stakeholders. For example, Grassa (2013) has conducted research on the concept and components of Shariah governance in Islamic banks and found that Shariah supervisory board is important to achieve Shariah compliance. Another study revealed that Shariah governance plays a vital role in ensuring effective independent and oversight of the Shariah functions and also compliance with Shariah principles in Islamic banks (IFSB, 2009). Moreover, Hilmy and Hassan (2019) in their research found that the key components of Shariah governance including Shariah supervisory board, Shariah review, Shariah audit, Shariah risk management, and Shariah compliance processes are important to maintain the confidence and trust of the stakeholders within the institution.

According to Alam et al (2021), Shariah governance is crucial to enhance the industry's credibility and maintain the public trust in Islamic banks. Similar conclusions have been drawn in other studies, which have found that implementation of a strong Shariah governance framework improves the institutions' credibility and reputation among their clients and community, as well as safeguarding the integrity of Islamic banking operations and products (Ginena and Hamid, 2015; Hasan, 2010).

In addition, Alshehri (2024) posits that Shariah governance can promote market discipline, eliminate information asymmetry, and enhance the quality of financial reporting. A substantial number of studies have advocated for various components of

Shariah governance that can enhance transparency in Islamic banks, including Shariah board independence, strength, efficiency, and effectiveness (Haron et al., 2022; Alam et al., 2021). However, there is still a paucity of empirical evidence to support these claims, and the impact of these aspects on the understanding and presentation of Islamic banks also needs to be verified (Ajili and Bouri, 2018; Elamer et al., 2020).

A number of studies have been conducted to examine the relationship between Shariah governance and the financial performance of Islamic banks. Mishref and Sa'ad (2024) found that the Shariah governance framework can contribute to improving the financial performance of Islamic banks. According to Bashir et al. (2023), the financial performance of Islamic banks has been significantly impacted by the Shariah governance framework. This finding was further corroborated by other studies, including those by Thnaibat et al. (2024) and Haddad and Souissi (2022), which revealed that effective Shariah governance policies and practices have a positive impact on the financial earnings and profits of Islamic banks. In addition, the financial performance of Malaysian Islamic banks was found to be enhanced by the presence of a Shariah supervisory board, as reported in a study by Khalil and Taktak (2020). A study by Mollah et al. (2016) found that a competent and independent Shariah supervisory board positively influences the financial performance of Islamic banks by ensuring compliance with Shariah principles. The presence of more Shariah scholars on the Shariah supervisory board is associated with better corporate governance and financial performance of Islamic banks. Additionally, the study by Bashir et al. (2023) found that the size of the board and its independence have a positive effect on the financial performance of Islamic banks.

2.3. Shariah Compliance Culture

Shariah compliance is an important part of Islamic banking since it ensures that all banking transactions adhere to the principles and standards of Shariah law. According to Ahmed et al. (2021), Shariah compliance is the key feature that distinguishes Islamic banking from traditional banking. Maintaining Shariah compliance is critical for Islamic banking organizations' legitimacy and integrity, as well as attracting and retaining customers who place a high value on their religious views and principles. To fulfill this goal, Shariah principles must be integrated into the organization's corporate culture.

In the context of an Islamic bank, corporate culture is the values, attitudes and behaviors that influence the organization's approach towards achieving its objective (Ifada et. al, 2019; Wieland, 2005) that is to operate the banking business in a Shariah compliant manner. It is often associated with team thinking, attitudes and practices that govern decision making, risk management and accountability in an organization (Haspeslagh, 2010; Webley and Werner, 2008). One of the most important factors influencing corporate culture is leadership. Leaders have a significant responsibility and serve as a role model to the employees as their voice and action sets the tone for the entire organization. Few studies have shown that good leadership behaviour give a major impact to the corporate culture. In contrast, leaders who prioritize short-term gains and focus on individual performance over the whole team may contribute to a toxic environment.

Past studies have examined the influence of corporate culture on Shariah compliance culture. For instance, Kasim et al. (2013) argue that a strong corporate culture can positively influence Shariah compliance culture by promoting ethical behavior and values that are consistent with Shariah principles. Similarly, Haniffa and Hudaib (2007) suggest that an organization's culture plays a critical role in the implementation and maintenance of Shariah compliance. Moreover, Kasim et al. (2013) posit that a strong corporate culture can also help to address the challenges of Shariah compliance, such as ensuring transparency and accountability. The authors argue that a culture of integrity and ethical behavior can create a positive environment for Shariah compliance and that Islamic banks should therefore invest in building such a culture. On the other hand, some studies suggest that the relationship between corporate culture and Shariah compliance culture may not always be straightforward. For example, Haniffa and Hudaib (2007) found that while corporate culture can positively influence Shariah compliance culture, it can also create conflicts if it is not aligned with Shariah principles.

Corporate culture is defined as the organisational values and beliefs that are in place, whereas Shariah compliance culture is the complement to this, ensuring that the organisation's operations and activities are in accordance with Shariah principles and values (Muhamad, 2011). Shariah compliance culture is the term given to the way in which an Islamic bank instils and promotes the behaviour of compliance with Shariah in its aims and operations, business, affairs and activities (BNM, 2019). Research has indicated that a robust Shariah compliance culture within an Islamic banking institution is a critical component for its success (see Faizal et al., 2018).

The core principles and values of Islamic banks' Shariah compliance culture are transparency, accountability, fairness and justice, and ethical behavior. According to Asif (2021), transparency is one of the main principles of Shariah compliance culture. Islamic banking institutions must provide the stakeholders with clear and concise information about financial transactions. This includes describing the nature and purpose of the transaction, the risks involved and the expected returns. Furthermore, accountability is another important principle of Shariah compliance culture, demanding that Islamic banks need to be accountable for their actions and decisions. This necessitates that management and employees must act in the best interests of stakeholders to comply with Shariah rulings and ethical standards. This means ensuring that all financial transactions are fair and accurate, and any violations are reported and corrected promptly.

Justice and fairness are also fundamental principles of Shariah compliance culture. According to Alhammadi et al. (2020), Islamic banking institutions must ensure that all banking transactions are conducted fairly without harming or oppressing their stakeholders. This involves fair distribution of investment returns and the sharing of risks across transactions. Finally, ethical behaviour is essential integral to Shariah compliance culture. A study by Boudjelida and Bouaita (2024) shows that it is crucial to maintain moral values and high ethical standards in Islamic banking including

avoiding any activities that contravene with Shariah law or any harmful activities to society such as gambling, usury, and speculation.

3. Discussion

Islamic banking institutions operate under the Shariah principles, which involve adherence to ethical and moral principles in all aspects of banking operations. Therefore, in order to achieve this objective, it is crucial to examine and understand the factors that influence Shariah compliance culture in Islamic banks.

Shariah governance and Shariah compliance culture are two essential aspects of Islamic banks that intrinsically linked, with governance structures and practices heavily influencing and shaping the institution's culture. While Shariah governance establishes the framework, processes, and relationships through which institutions are governed and directed, Shariah compliance culture combines Shariah principles that determine how employees and management conduct Shariah-compliant business (Muhamad, 2011). The effectiveness of Shariah governance in fostering a culture of Shariah compliance can be measured by the following key factors.

(i) Leadership practices of an Islamic bank

The present study explores the influence of leadership and management practices within an organisation on Shariah compliance culture. It is posited that leadership plays a significant role in shaping the values and behaviours of employees, thereby influencing the overall organisational culture (Bass and Avolio, 1994). This assertion is supported by a study by Rahmawati et al. (2023) found that ethical leadership has a positive influence on corporate social responsibility practices, suggesting that similar principles can be extended to improve the culture of Shariah compliance in Islamic banks. Hassan and Dridi (2010) found that the leadership style of top management plays an important role in creating a Shariah compliance culture of Islamic banking institutions in the United Arab Emirates. The research has demonstrated that a participative leadership style, which actively involves employees in decision-making processes and promotes a culture of transparency and accountability, has a significant impact on Shariah compliance culture.

In the context of Islamic banking, the board of directors and senior management play a pivotal role in shaping the institution's direction. As the primary governing body, the board is responsible for overseeing the Shariah governance framework and the institution's overall activities. This oversight entails ensuring the framework's alignment with the nature and complexity of the business and cultivating a corporate culture that prioritises Shariah requirements across all departments. Conversely, senior management must ensure that day-to-day operations comply with Shariah principles. This encompasses the development of relevant Shariah policies and procedures, the allocation of sufficient staff, and the provision of adequate resources to support the governance framework. When leaders demonstrate Shariah compliance as the primary principle in their duties, they establish a compelling example for all employees to follow, thereby shaping a broad culture of Shariah compliance within the institution.

This finding is consistent with Kunhibava (2015), who argued for the importance of a competent and independent board in ensuring the effectiveness of Shariah compliance culture in Malaysian Islamic banks. Similarly, a study by Aras and Crowther (2007) found that the board of directors plays an important role in inculcating Shariah compliance culture in the working settings of Islamic banks.

(ii) Effective functioning of Shariah governance organs

Shariah governance exerts a significant influence on the culture of Shariah compliance by establishing essential Shariah components or organs within the governance structure of Islamic banks. The Shariah Advisory Body or the Shariah Committee, serves as the primary Shariah governance organ. It is responsible for providing guidance and expertise on Shariah matters (BNM, 2019). The effectiveness of the Shariah supervisory board, including their attributes and activities, exerts a substantial influence on the culture, performance and integrity of Islamic banking institutions.

The Shariah Committee's role in Shariah governance must be supported by other Shariah functions, such as the Shariah secretariat and control functions, which include Shariah review, Shariah risk management, and Shariah audit (BNM, 2019). The Shariah Committee oversees Shariah-related aspects of the Islamic bank's operations and activities, offering guidance and recommendations on products and services to ensure compliance with Shariah rulings. The Shariah Secretariat is responsible for operational assistance to the Shariah Committee, the dissemination of Shariah rulings and advice to stakeholders based on the Committee's decisions, and the conduct of research to guide the Committee's deliberations. Control functions manage and monitor Shariah non-compliance risks through regular assessments, risk measurement, reporting, and internal control measures. The diverse roles of key Shariah organs will strengthen Islamic banking conduct, operation and process, as well as fostering a comprehensive culture of Shariah compliance.

(iii) Strong Policies and Implementation

Effective Shariah governance entails the implementation of policies that align with Islamic principles. This includes the development of policies, procedures and guidelines for operations, products development, comprehensive code of conducts and risk management practices that serves as guidance or reference to all employees. By prioritizing Shariah compliance as the overarching requirement while developing Islamic banking policies, the management demonstrates its commitment to upholding Shariah standards. This method fosters a culture in which workers are aware of the Shariah principles and standards that must be followed, understand their specific duties, and recognize the importance of adhering to Shariah regulations in banking operations.

Furthermore, it is imperative to acknowledge the pivotal role that stakeholders' expectations play in ensuring Shariah compliance and cultivating a robust Shariah compliance culture within Islamic banking institutions. A seminal study by Rahman et al. (2024) examined the impact of stakeholder expectations on the Shariah culture of Islamic banking institutions in Bangladesh. The study's findings are noteworthy in highlighting the significant influence that stakeholder expectations, encompassing

customers, shareholders, and managers, exert on the prevailing working culture and a company's dedication to Shariah compliance. In the meantime, regulatory bodies provide essential oversight and monitoring to ensure compliance with Shariah and legal requirements. These expectations lead Islamic banking institutions to adhere strictly to Shariah principles.

Additionally, developing policies, procedures, and mechanisms as guidance to employees may influence a strong Shariah compliance culture within Islamic banking institutions (Grassa, 2013; Haron et al., 2022). A study found that most Islamic banks in Malaysia have established Shariah governance frameworks and risk management policies that reinforce a culture that is in line with Shariah compliance objectives (Aziz et. al. 2019).

(iv) Effective Communication on Shariah Compliance

Regular and clear communication is a pivotal aspect through which Shariah governance exerts its influence, playing a decisive role in shaping and sustaining Shariah compliance culture. The company's core value and ethical standards, particularly regarding Shariah compliance, are articulated through its vision and mission, goals, business plan, marketing strategy, operational policies and other communication channels. This indicates the management's aspiration towards promoting a culture of Shariah compliance within the institution. Clear communication ensures employees understand their roles and recognise the significance and value of their contributions to achieving objectives, enhancing teamwork across departments and hierarchical levels. This fosters a positive corporate culture where knowledge sharing on Shariah compliance is embedded. Encouraging feedback and suggestions through open and constant communication fosters innovative ideas and improvements, further enhancing the level of Shariah compliance in banking operations.

The significance of effective communication in shaping Shariah compliance culture is also of paramount importance. Effective communication serves as a cornerstone for cultivating a culture of transparency and accountability, which is a pivotal aspect of a Shariah compliance culture (Aspiranti et. al, 2023). It fosters open dialogue and ensures that all parties involved have a clear understanding of their roles and responsibilities in maintaining Shariah compliance across all operations and transactions. The Shariah supervisory board plays a pivotal role in this regard, as it is entrusted with the responsibility of providing guidance and supervision to stakeholders, thereby ensuring the establishment of a Shariah compliance culture within the institution (Alam et. al, 2021). In line with the findings of Ali and Ahmed (2018), effective communication has been shown to have a positive and significant relationship with a robust Shariah governance framework and a strong Shariah compliance culture.

(v) Proper Reporting

The Shariah governance framework, in conjunction with the implementation of effective reporting practices, exerts a substantial influence on the Shariah compliance culture. The adoption of comprehensive reporting standards has the potential to foster transparency and promote a more robust business ethos. Within the context of Islamic

banking, such standards ensure that all financial activities, including those that may be deemed Shariah non-compliant, are meticulously documented and reported to the management, Shariah supervisory board, and regulator via designated channels, in strict adherence to internal standard operating procedures (SOPs). The Shariah control functions undertake regular audits and review exercises to ensure the effectiveness of the reporting process. The optimal result of this is increased credibility for the bank, as well as responsibility and a positive Shariah compliance culture being fostered inside the institution.

(vi) Education and Awareness Program

The final component of integrating Shariah governance principles into a Shariah compliance culture is the delivery of education and training programmes. In order to ensure that all employees fully understand their responsibilities and meet the expected standards, they must regularly attend training sessions focused on the SOPs, Shariah policy documents and guidelines. These sessions are essential in nurturing a culture where all employees are continuously updated with knowledge on Shariah and Islamic banking. These sessions also raise awareness of the importance of Shariah compliance and the potential consequences of non-compliance for the institution. Employees who have received comprehensive training are able to identify potential Shariah breaches and implement preventative measures. By continuously training employees and promoting a culture where Shariah compliance is everyone's responsibility, it will strengthen the compliance of banking operations at all working levels.

Continuous education and training programmes have been shown to be effective in deepening employees' understanding of Shariah compliance principles (Ali and Ahmed, 2018; Aziz et al., 2019). Research by Ali and Ahmed (2018) explored the relationship between education and training with Shariah compliance culture in Islamic banks in Malaysia, revealing that Shariah supervision, training and communication are key factors in developing a strong Shariah compliance culture. These initiatives are compulsory in providing employees with the necessary knowledge and skills to navigate the complexities of Shariah principles throughout their daily work in Islamic banking institutions.

4. Conclusion

In conclusion, Shariah governance is important and influential in promoting a holistic Shariah compliance culture in Islamic banks through six key areas, namely leadership practices, establishing Shariah organs, implementing policies, regular and clear communication, proper reporting mechanisms and education and training programs. Leadership practices are instrumental in ensuring that the board and senior management set a positive example and establish a tone that emphasises the importance of Shariah compliance for all employees to follow. The establishment of Shariah organs within the institution, such as Shariah committees, Shariah secretariats and control functions, provides a robust structure, support and assurance to maintain continuous Shariah compliance in the whole banking operations. Moreover, the implementation of policies and guidelines is instrumental in ensuring that all

employees are able to comprehend their individual roles in meeting Shariah and operational requirements in Islamic banking business.

Regular and effective communication from management provides clear direction to all working levels on necessary actions that should be taken in order to achieve the desired goals. The implementation of proper reporting practices is conducive to the promotion of transparency and accountability in the management of SNC events. Furthermore, education and training programs have been shown to enhance employees' awareness and understanding of Shariah compliance.

Further research is required to determine the most effective Shariah governance model that can promote a comprehensive and robust Shariah compliance culture for Islamic banking institutions. Furthermore, empirical studies may also be conducted to gather feedback from various stakeholders in the Islamic banking industry on the essential factors that can contribute to sustainable Shariah compliance culture in the working environment of Islamic banks. The findings from these studies could serve as benchmarks for other Islamic banks to further enhance their Shariah governance framework, respectively.

5. References

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